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March 29, 2001

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room TW-A325  
Washington, D.C. 20554

RE: Written Ex Parte Presentation  
CC Docket No. 00-199

Dear Ms. Salas:

Attached please find additional information on three issues that were raised during USTA's March 8, 2001, Ex Parte Meeting regarding the above-referenced proceeding.

In accordance with Section 1.1206(a)(1) of the Commission's rules, an original and one copy of this notice and the attachment are being submitted herewith. Please include this notice in the public record of the proceeding.

Respectfully submitted,

Porter E. Childers

Attachment

cc: Carol Matthey  
Andy Mulitz  
Jared Carlson

No. of Copies rec'd 0+1  
List A B C D E

**PHASE 2 ACCOUNTING/REPORTING BIENNIAL REVIEW  
USTA FOLLOW-UP**

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**ISSUE 1 - STATE RECOMMENDED ACCOUNTS**

The accounts requested by the States should not be mandated for the following reasons:

Service Specific

Collocation  
Reciprocal Compensation  
Resale  
Wholesale  
Subscriber Line Charge

Requires an Allocation (study)

Loop  
Interoffice Transport  
Collocation  
Resale  
Wholesale  
Origination and Termination of switched access  
Universal Service Support\*

\*The revenue received as universal service support comes from various funds. For example the support for schools, libraries and healthcare are in numerous revenue accounts today because this support is the result of a discount on various items. Showing this support in one account would require a major modification to how the billing and accounting is accomplished. It would also misstate the results in the existing Part 32 accounts.

There is no reason to require Part 32 accounts for the payment to the various federal funds when such information is available from an alternative source - USAC. If a state specifically needs information for it's state specific fund, it can request that of the carriers in that state or from the state fund administrator.

Other

Packet Switches and Asynchronous Transfer Mode Switches - These are broadband switches primarily used for data, as opposed to narrowband switches which are only used for voice. With Voice Over Internet Protocol (VOIP), this will change. Vendors tell us that switches such as 5ESS, DMS and ESWD are upgradeable to VOIP, so you will have a blend of both. Technology is changing too rapidly to rely on types of switches as a proxy for service specific information. If certain states need to know investment in ATM vs. Packet Switch, this data can be supplied using Equipment Category Number. However, related maintenance expense is not currently kept at that level of detail.

## PHASE 2 ACCOUNTING/REPORTING BIENNIAL REVIEW USTA FOLLOW-UP

Switching Software - This is one of many types of assets that qualify for intangible treatment. Other items such as organization and incorporation costs, patent rights, government franchises, merger expenses, etc., are also listed in Part 32 as intangible assets. Intangible asset should be a sufficient categorization. It should not be necessary to uniquely define one type of intangible asset. If certain states need to know the value of the portion of intangible assets related to switching software, that information can be supplied to those specific states.

State Switched Access Revenue and Special Access Revenue - States requiring this breakdown would have already obtained this information through state specific reporting.

Deferred Operating Income Taxes - Federal, State and Local - States requiring this breakdown would have already obtained this information through state specific reporting.

### **ISSUE 2 - SHARED NETWORK INVESTMENT FORECASTING**

Shared Network Investment subject to forecasting under 47CFR 64.901(b)(4) applies to costs that remain after the tariff rate is used to compensate the regulated activity or after direct assignment to nonregulated has occurred. Shared network investment forecasting does not apply to all central office and outside plant costs.

47CFR 64.901(b) provides the hierarchy by which costs are allocated:

1. Use tariff rate
2. Directly assign
3. Allocate

QWEST comments - page 11 "over 97 percent of the investment in Qwest's nonregulated COE and Cable and Wire accounts has been directly assigned."

VERIZON comments - page 10 "Verizon directly assigned 95 percent of its nonregulated central office and outside plant investment."

Subsequent to the March 8 exparte, to further put this into perspective, an additional calculation was performed to identify the portion of central office and outside plant investment that is nonregulated, regardless of whether the nonregulated was the result of direct assignment or shared network investment. Using 1999 ARMIS 43-03 reports, the percent nonregulated to total account balance for central office and outside plant investment was less than 1% in both companies (for QWEST - 0.79% and for Verizon - 0.46%). On an industry basis using all companies filing a 1999 ARMIS 43-03 report, the total nonregulated percentage was still less than 1% at 0.59%.

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Exogenous Treatment as it Relates to Shared Network Investment

When the exogenous rule was introduced, price caps was just beginning. Carriers were not under pure price caps - for example sharing was still in effect.

Carriers used the forecasted factors to allocate investment. The allocated investment result was used in the annual access tariff filings. If a carrier UNDER forecasted investment, (highest actuals were greater than the forecasted amount) the carrier had to adjust the result. This triggered a reallocation of costs and also triggered an interest penalty. Under forecasting resulted in an exogenous adjustment. Over forecasting resulting in no reallocation, no interest, and no exogenous adjustment.

If carriers no longer forecast, there would be no under forecasting, no need for a reallocation of investment, no need for an interest penalty and no need for an exogenous adjustment as it relates to shared network investment.

Cites

47CFR 61.45(v)

The reallocation of investment from regulated to nonregulated activities pursuant to 64.901.

CC Docket 86-111, Order on Reconsideration

Par 64 - "Reallocation from regulated to nonregulated activities. The cost reallocation requirements adopted in the Order serve to deter manipulative underforecasting of nonregulated usage and to mitigate the impact on ratepayers of unintended or unavoidable underforecasts. If underforecasting of nonregulated usage occurs, a reallocation at undepreciated baseline cost plus interest causes the nonregulated activity to assume the costs that would have been allocated to it had the forecast been accurate...."

Par 66 - "We also reject suggestions to treat reallocations from nonregulated activities to regulated the same as reallocations in the opposite direction. An overestimation of nonregulated usage does not require ratepayers to bear the investment risk of the nonregulated activity's excess capacity. No deterrent in the form of an interest provision is therefor required."

**ISSUE 3 - MIDSIZE REPORTING**

Midsize carriers do not have all the data required for ARMIS reporting easily accessible. Preparing a summary report involves calculating the details, then summarizing the details. As such, a summary report would still require significant effort. Below is information provided by midsize carriers related to ARMIS reporting.

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**Roseville Telephone Company (RTC)**

Please find below the Roseville Telephone Company (RTC) ARMIS internal review. It should be mentioned that there is a misconception that our company and others develop and summarize all of this information in the normal course of business. This is not the case. Much of the data has to be identified and manipulated to fit the required format of the ARMIS. The continued provision of the information will also entail the development of electronic systems to capture the data and perform the manipulations, as well as maintain the data over the long term. Our total full time equivalent (FTE) hours for the initial development of the ARMIS is 3,988. The FCC estimate for hours to complete and file ARMIS is 2,770.

The original interviews (internally and externally), mapping and review was developed in early 1999. This review of the necessary resource commitments has been modified and reduced certain report efforts to reflect current systems and access to the required data. For your referral, the FCC estimated hours to complete each report is included on the far right of the FTE hours estimates.

**43-01 Cost and Revenue Table**

A significant portion of this data is currently available because RTC files its own traffic sensitive access tariff and similar data is required for the TRP. However, in the event of adoption of the MAG plan and freeze of Separations, it is not likely the data would remain readily available.

<u>Reporting Tasks</u>	<u>Full Time Equivalent Hours EST.</u>	
	<u>Initial</u>	<u>FCC</u>
1) Identification and Mapping of Data Source	32	
2) Development and Manipulation of Data	40	
3) Formatting of Data	40	
4) Electronic System Development & Input	120	
5) External Review	16	
6) Internal Review	12	
7) Corrections/Revisions	24	
8) Final Review / Transmittal	8	
9) Ongoing Data Maintenance	<u>160</u>	
Total	452	220

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**43-02 USOA Report**

This data is available from different source documents. Significant time is necessary to develop the information from the data sources and then consolidating and maintaining the needed report information. Once the information has been entered under the specific format, a review of the data collection would need to take place. The codes and row instructions are very detailed and would necessitate significant full time equivalent hours to appropriately enter.

<u>Reporting Tasks</u>	<u>Full Time Equivalent Hours</u>	
	<u>Initial</u>	<u>FCC</u>
1) Identification and Mapping of Data Source	200	
2) Development and Manipulation of Data	376	
3) Formatting of Data	120	
4) Electronic System Development & Input	240	
5) External Review	16	
6) Internal Review	16	
7) Corrections/Revisions	16	
8) Final Review / Transmittal	8	
9) Ongoing Data Maintenance	<u>192</u>	
Total	1,184	960

**43-03 Joint Cost Report**

This is one of the primary forms used in CAM audit. The Joint Cost Report includes the breakdown of the reporting carrier's costs between regulated and nonregulated activities as defined in our CAM and Part 64. Our CAM has been submitted to the FCC and is still being reviewed. In order to appropriately provide the information in the 43-03 format, RTC would have to consolidate the non-regulated subsidiary accounts in the detail required by this report. The involvement to develop the CAM for the FCC was significant. If the information development, retrieval of data, consolidation of the data, and maintenance of the table along with final reviews reflects the workload already for CAM development, then the hours will certainly be over 480, initially.

<u>Reporting Tasks</u>	<u>Full Time Equivalent Hours</u>	
	<u>Initial</u>	<u>FCC</u>
1) Identification and Mapping of Data Source	100	
2) Development and Manipulation of Data	80	
3) Formatting of Data	32	
4) Electronic System Development & Input	184	
5) External Review	12	
6) Internal Review	16	
7) Corrections/Revisions	24	

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8) Final Review / Transmittal	8	
9) Ongoing Data Maintenance	<u>24</u>	
Total	480	200

**43-04 Separations and Access Table**

This data is also available, however, it is buried within the inputs and mechanics of the Part 36 and 69 model. Initially, it would take considerable time and would be extremely cumbersome and labor intensive to extrapolate the data from the Part 36 and 69 models for input into the ARMIS model format. The data sources derived from this manual process would be isolated to interface with a proprietary Separations program.

<u>Reporting Tasks</u>	<u>Full Time Equivalent Hours</u>	
	<u>Initial</u>	<u>FCC</u>
1) Identification and Mapping of Data Source	176	
2) Development and Manipulation of Data	216	
3) Formatting of Data	80	
4) Electronic System Development & Input	424	
5) External Review	16	
6) Internal Review	40	
7) Corrections/Revisions	32	
8) Final Review / Transmittal	8	
9) Ongoing Data Maintenance	<u>196</u>	
Total	1,188	1150

**43-08 Operating Data Report**

This is the report reviewing statistical data. The preparation of the report is very detailed and specific not reflecting any report employed by RTC at this time. The recording and maintenance of this information in that much detail and by jurisdiction is a significant task. At this time, these statistics are not useful for managerial or accounting purposes for our operations. A full review process would have to be undertaken to create the report information that is only needed for this report. The provision of this information would have to be continually input by engineers into the electronic system for the report. The initial development of the outside plant and traffic data could require more than indicated originally.

<u>Reporting Tasks</u>	<u>Full Time Equivalent Hours</u>	
	<u>Initial</u>	<u>FCC</u>
1) Identification and Mapping of Data Source	8	



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2) Development and Manipulation of Data	80	
3) Formatting of Data	32	
4) Electronic System Development & Input	124	
5) External Review	4	
6) Internal Review	12	
7) Corrections/Revisions	8	
8) Final Review / Transmittal	8	
9) Ongoing Data Maintenance	<u>24</u>	
Total	300	160

**495B Actual Usage of Investment Report**

This report contains three tables that RTC does not presently report or develop. The specific information for the table of Investment Dollars for COE, Cable and Wire Facilities by Cost Category does not exist at this time. The data would need to be collected from a variety of sources and massaged to fit the format of the tables.

Reporting Tasks	Full Time Equivalent Hours	
	Initial	FCC
1) Identification and Mapping of Data Source	24	
2) Development and Manipulation of Data	40	
3) Formatting of Data	16	
4) Electronic System Development & Input	80	
5) External Review	4	
6) Internal Review	4	
7) Corrections/Revisions	8	
8) Final Review / Transmittal	4	
9) Ongoing Data Maintenance	<u>24</u>	
Total	204	40

**495A Forecast of Investment Usage Report**

Similarly, this report includes three tables on a prospective basis over a period of years. RTC does not develop forward-looking budgets that derive the breakdown in the cost categories indicated for these tables. This would entail another collection and maintenance of information RTC presently does not prepare. Because of the size of our operation, the allocator may not reflect the appropriate future investments in our infrastructure. The same issues on data development would be true under the 495A as the 495B when preparing the budgets for future periods to fit the table(s) requirements.

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Reporting Tasks	Full Time Equivalent Hours	
	Initial	FCC
1) Identification and Mapping of Data Source	24	
2) Development and Manipulation of Data	80	
3) Formatting of Data	16	
4) Electronic System Development & Input	40	
5) External Review	4	
6) Internal Review	4	
7) Corrections/Revisions	8	
8) Final Review / Transmittal	4	
9) Ongoing Data Maintenance	--	
Total	180	40

**ALLTEL**

Please find below the approximate hours to prepare and file FCC ARMIS reporting for the five ALLTEL operating companies as required under current regulatory requirements. The various tasks/functions involved in the preparation of these various reports include:

- 1) Review current year reporting instructions and implement programming changes as required
- 2) Data source requirements
- 3) Develop and maintain information from various data source streams
- 4) Format, record and consolidate data as required
- 5) Report preparation
- 6) Review procedures
- 7) Edit check procedures
- 8) Revisions and corrections
- 9) Prepare footnote disclosure
- 10) Final review procedures (includes review with independent auditors)
- 11) Copying, preparing electronic files and prepare for mailing
- 12) Upload to FCC site
- 13) Prepare and mailing of hardcopy filings
- 14) Continued maintenance of system and data resources as required

The approximate hours to prepare and file FCC ARMIS reports for the five ALLTEL operating companies are:

43-01 Cost and Revenue	1,000
43-02 USOA	3,000
43-03 Joint Cost	1,000

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43-04 Separations and Access	1,750
43-08 Operating Data	650
43-05 Service Quality (Only Reporting Company-Aliant)	<u>800</u>
Total Approximate Hours	<u>8,200</u>

For clarity, ALLTEL would emphasize the 43-01 ARMIS report is a summary report of the ARMIS 43-02, 43-03 and 43-04 reports. To illustrate this process, as required in our annual filings, the ARMIS 43-01 through 43-04 must pass FCC cross edit check procedures before submission of these reports. One cross edit includes the review of 43-01, 43-02, and 43-03, while another cross edit reviews 43-01, 43-03, and 43-04. This procedure demonstrates how closely these reports serve and support the 43-01 summary, and where the summary is dependent on data from these resources.

### **CITIZENS COMMUNICATIONS**

Citizens Communications ("CZN") dedicates extensive time every year to address the FCC's ARMIS reporting requirements. The majority of the data needed to execute these requirements is beyond the scope of Citizens normal operations. The following presentations are a quantification of the incremental man-hours which Citizens expends annually to address the FCC's ARMIS reporting. Citizens has provided a projection as to the increased level of resources needed when its current acquisitions have been consummated. Additionally, as you may notice, the 43-05 report impacts all of our operations creating a huge resource burden.

Citizens has based its projections on the Estimated Average Burden Hours as developed by the Office of Management and Budgets.

#### **43-01 Annual Summary**

CZN (current)	Study Areas = 3	Hours Required = 405
CZN (post-acquis.)	Study Areas = 16	Hours Required = 2,160

#### **43-02 USOA Report**

CZN (current)	Companies = 1	Hours Required = 638
CZN (post-acquis.)	Companies = 6	Hours Required = 3,828

#### **43-03 Joint Cost Report**

CZN (current)	Study Areas = 3	Hours Required = 249
CZN (post-acquis.)	Study Areas = 16	Hours Required = 1,328

#### **43-04 Access & Separations Report**

CZN (current)	Study Areas = 3	Hours Required = 1,863
CZN (post-acquis.)	Study Areas = 16	Hours Required = 9,936

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**43-05 Service Quality Report**

CZN (current)	Study Areas = 33	Hours Required = 28,050
CZN (post-acquis.)	Study Areas = 73	Hours Required = 62,050

**43-08 Operating Data Report**

CZN (current)	Companies = 1	Hours Required = 160
CZN (post-acquis.)	Companies = 6	Hours Required = 960

**495-A Forecast of Investment Usage Report**

CZN (current)	Study Areas = 3	Hours Required = 120
CZN (post-acquis.)	Study Areas = 16	Hours Required = 640

**495-B Actual Usage of Investment Report**

CZN (current)	Study Areas = 3	Hours Required = 120
CZN (post-acquis.)	Study Areas = 16	Hours Required = 640

**ARMIS Development: Total Hours**    Current = 31,605    Post Acquis. = 81,542